

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Convis	County Calhoun
Fiscal Year End 3/31/07	Opinion Date September 13, 2007	Date Audit Report Submitted to State September 28, 2007	

We affirm that:

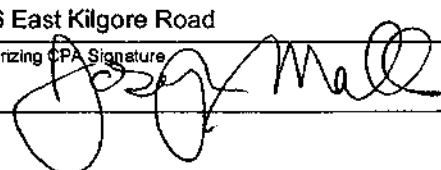
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No further communication required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name Joseph M Walls		License Number 1101013696

Township of Convis
Calhoun County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Convis
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Convis's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$156 thousand (5 percent) as a result of this year's activities.
- Of the \$3.5 million total net assets reported, \$2.4 million (69 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1.4 million, which represents 384 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present *governmental activities*. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, library, etc.). Property taxes and state grants generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes, like the Emergency Services Fund, and the Host Community Fund.

The Township has two kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Township of Convis
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$3.5 million. Of this total, \$1.1 million is invested in capital assets. The remaining unrestricted net assets were \$2.4 million.

Condensed financial information
Net Assets (in thousands)

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Current assets	\$ 2,455.7	\$ 2,286.0
Capital assets	<u>1,082.2</u>	<u>1,100.3</u>
Total assets	\$ 3,537.9	\$ 3,386.3
 Current liabilities	 \$ 8.3	 \$ 12.9
Net assets:		
Invested in capital assets	\$ 1,082.2	\$ 1,100.3
Unrestricted	<u>2,447.4</u>	<u>2,273.1</u>
Total net assets	\$ 3,529.6	\$ 3,373.4

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues are \$543 thousand. Over 55 percent of the Township's revenues come from landfill impact fees, and 21 percent comes from state grants.

The total cost of all the Township's programs, covering a wide range of services, totaled \$387 thousand. About 63 percent of the Township's costs relate to the provision of general governmental services. Public safety costs account for 23 percent. No other expense category exceeds 10 percent of the total.

Condensed financial information

Changes in Net Assets

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Program revenues:		
Charges for services	\$ 7,949	\$ 12,121
Operating grants and contributions	3,161	3,155
Capital grants and contributions	6,792	-
General revenues:		
Landfill impact fees	297,714	315,405
State shared revenue	113,336	113,873
Interest income	114,472	59,784
Total revenues	<u>543,424</u>	<u>504,338</u>
Expenses:		
Legislative	3,860	2,200
General government	243,838	237,890
Public safety	89,348	91,273
Public works	36,251	21,794
Economic development	2,980	9,625
Recreation and culture	11,000	11,007
Total expenses	<u>387,277</u>	<u>373,789</u>
Increase in net assets	<u>\$ 156,147</u>	<u>\$ 130,549</u>

Governmental activities. Governmental activities increased the Township's net assets by \$156 thousand compared to \$130 thousand last year. Changes in individual categories of net expenses or general revenues were generally not significant, except that investment income increased by \$55 thousand in 2007 due to increased amounts invested at higher interest rates.

The cost of all governmental activities this year was about \$387 thousand. After subtracting the direct charges to those who directly benefited from the programs (\$8 thousand), and operating and capital grants (\$10 thousand), the "public benefit" portion covered by impact fees, state revenue sharing, and interest was \$370 thousand, compared to \$358 thousand in 2006.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2.4 million, an increase of \$150 thousand over the prior year. The total fund balances are unreserved, and are available for spending at the Township's discretion.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1.4 million, which increased by \$6 thousand during the fiscal year compared to \$23 thousand in 2006. Total expenditures in the General Fund for 2007 were approximately \$22 thousand more than 2006.

The Emergency Services fund balance increased by \$117 thousand, including interest earned and a \$100,000 budgeted transfer from the General Fund.

General Fund budgetary highlights

Budgeted expenditures were not increased during the year. The difference between the actual and budgeted amounts (\$936 thousand positive variance) can be attributed to several expenditures not taking place at budgeted levels (e.g., Township hall repairs, professional services, fire control, road maintenance, and capital outlay).

Township of Convis
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounts to \$1.1 million (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment. The decrease in the Township's net investment in capital assets for the current fiscal year was approximately \$18 thousand, comprised of approximately \$18 thousand in various new equipment, net of about \$32 thousand in total annual depreciation.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Economic condition and outlook

Small increases in investment income are again expected in 2007, resulting in an overall increase in total revenues. The Township plans to maintain all ongoing programs for 2007. Certain costs, for example for public safety services, are likely to increase.

Contacting the Township's financial management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Julia Schafer, Township Supervisor
Township of Convis
19500 15 Mile Road
Marshall, Michigan 49068

Phone: (269) 789-0654

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Convis, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Township of Convis, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Convis, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Township of Convis, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, on pages i through vi, and the budgetary comparison information on pages 15 through 18, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

September 13, 2007

BASIC FINANCIAL STATEMENTS

Township of Convis
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,911,757
Investments	409,936
Receivables, net	122,008
Prepaid expenses	<u>12,000</u>
Total current assets	<u>2,455,701</u>
Noncurrent assets:	
Capital assets, not being depreciated	125,000
Capital assets, net of accumulated depreciation	<u>957,211</u>
Total noncurrent assets	<u>1,082,211</u>
Total assets	<u>3,537,912</u>
LIABILITIES	
Current liabilities - payables	<u>8,297</u>
NET ASSETS	
Invested in capital assets	1,082,211
Unrestricted	<u>2,447,404</u>
Total net assets	<u><u>\$ 3,529,615</u></u>

See notes to financial statements

Township of Convis
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	
Functions/Programs	<u>Expenses</u>				<u>Governmental activities</u>
Governmental activities:					
Legislative	\$ 3,860	\$ -	\$ -	\$ -	\$ (3,860)
General government	243,838	6,299	-	6,792	(230,747)
Public safety	89,348	-	-	-	(89,348)
Public works	36,251	-	3,161	-	(33,090)
Community and economic development	2,980	1,650	-	-	(1,330)
Culture and recreation	11,000	-	-	-	(11,000)
Total governmental activities	<u>\$ 387,277</u>	<u>\$ 7,949</u>	<u>\$ 3,161</u>	<u>\$ 6,792</u>	<u>\$ (369,375)</u>
General revenues:					
Landfill impact fees					297,714
State grants					113,336
Investment income					<u>114,472</u>
Total general revenues					<u>525,522</u>
Change in net assets					156,147
Net assets - beginning					<u>3,373,468</u>
Net assets - ending					<u>\$ 3,529,615</u>

See notes to financial statements

Township of Convis
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Emergency Services</u>	<u>Host Community</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 1,229,206	\$ 485,309	\$ 197,242	\$ 1,911,757
Investments	149,430	160,725	99,781	409,936
Receivables	58,964	-	3,725	62,689
Total assets	<u>\$ 1,437,600</u>	<u>\$ 646,034</u>	<u>\$ 300,748</u>	<u>\$ 2,384,382</u>
LIABILITIES AND FUND BALANCES				
Liabilities - payables	\$ 8,297	\$ -	\$ -	\$ 8,297
Fund balances - unreserved, undesignated	<u>1,429,303</u>	<u>646,034</u>	<u>300,748</u>	<u>2,376,085</u>
Total liabilities and fund balances	<u>\$ 1,437,600</u>	<u>\$ 646,034</u>	<u>\$ 300,748</u>	<u>\$ 2,384,382</u>
Total fund balances - total governmental funds				\$ 2,376,085
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:				
Accrued investment income and prepaid expenses are not financial resources and, therefore, are not reported in the funds.				71,319
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				<u>1,082,211</u>
Net assets of <i>governmental activities</i>				<u>\$ 3,529,615</u>

See notes to financial statements

Township of Convis

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	<u>General</u>	<u>Emergency Services</u>	<u>Host Community</u>	<u>Total governmental funds</u>
REVENUES				
Licenses and permits	\$ 283,771	\$ -	\$ 14,886	\$ 298,657
State grants	116,497	-	-	116,497
Charges for services	3,188	-	-	3,188
Interest and rentals	64,015	17,144	11,444	92,603
Other	10,474	-	-	10,474
Total revenues	<u>477,945</u>	<u>17,144</u>	<u>26,330</u>	<u>521,419</u>
EXPENDITURES				
Legislative	3,860	-	-	3,860
General government	221,517	-	-	221,517
Public safety	91,442	-	-	91,442
Public works	36,251	-	-	36,251
Community and economic development	2,980	-	-	2,980
Recreation and culture	11,000	-	-	11,000
Capital outlay	4,836	-	-	4,836
Total expenditures	<u>371,886</u>	<u>-</u>	<u>-</u>	<u>371,886</u>
EXCESS OF REVENUES OVER EXPENDITURES	106,059	17,144	26,330	149,533
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	6,059	117,144	26,330	149,533
FUND BALANCES - BEGINNING	<u>1,423,244</u>	<u>528,890</u>	<u>274,418</u>	<u>2,226,552</u>
FUND BALANCES - ENDING	<u>\$ 1,429,303</u>	<u>\$ 646,034</u>	<u>\$ 300,748</u>	<u>\$ 2,376,085</u>
Net change in fund balances - total governmental funds				\$ 149,533
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:				
The current changes in accrued investment income and prepaid expenses do not provide financial resources and, therefore, are not reported in the funds.				
				24,719
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$31,935) exceeded capital outlay (\$13,830) in the current period.				
				(18,105)
Change in net assets of <i>governmental activities</i>				<u>\$ 156,147</u>

See notes to financial statements

Township of Convis

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2007

ASSETS

Cash	<u>\$ 8,666</u>
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LIABILITIES

Due to other governmental units	<u>\$ 8,666</u>
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See notes to financial statements

Township of Convis
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Convis, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from landfill impact fees and state shared revenue.

The Emergency Services Fund accounts for the financial resources accumulated for the acquisition of fire and emergency equipment. Revenues consist primarily of interest.

The Host Community Fund accounts for the financial resources accumulated for potential costs related to a private landfill currently operated in the Township. Revenues are primarily derived from fees collected under a host community agreement, and interest.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 10 years
Infrastructure	40 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. There were no significant budget variations requiring disclosure.

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments as presented in the accompanying financial statements, consist of the following:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 1,911,707	\$ 8,666	\$ 1,920,373
Cash on hand	50		50
Investments	409,936	-	409,936
Total cash and investments	<u>\$ 2,321,693</u>	<u>\$ 8,666</u>	<u>\$ 2,330,359</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks and credit unions. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$396,260 of the Township's bank balances of \$1,930,165 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

State statutes and the Township's investment policy authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities and investment pools composed of otherwise legal investments.

Investments:

At March 31, 2007, the Township's investments consisted of the following:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average years to maturity</u>
Federal National Mortgage Association	\$ 172,877	4.11
Federal Home Loan Mortgage Corporation	101,748	14.7
Mutual funds	<u>135,311</u>	N/A
	<u>\$ 409,936</u>	

Investments in Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities are explicitly backed by the full faith and credit of the federal government, and, accordingly, are not considered to have credit risk.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 40,356	\$ 18,608	\$ 58,964
Host Community	<u>3,725</u>	<u>-</u>	<u>3,725</u>
Total	<u>\$ 44,081</u>	<u>\$ 18,608</u>	<u>\$ 62,689</u>

All receivables are considered fully collectible, and are due within one year.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 125,000	\$ -	\$ -	\$ 125,000
Capital assets being depreciated:				
Buildings and improvements	1,173,310	-	-	1,173,310
Equipment and furnishings	<u>14,074</u>	<u>13,830</u>	<u>-</u>	<u>27,904</u>
Subtotal	<u>1,187,384</u>	<u>13,830</u>	<u>-</u>	<u>1,201,214</u>
Less accumulated depreciation for:				
Buildings and improvements	(205,330)	(29,332)	-	(234,662)
Equipment and furnishings	<u>(6,738)</u>	<u>(2,603)</u>	<u>-</u>	<u>(9,341)</u>
Subtotal	<u>(212,068)</u>	<u>(31,935)</u>	<u>-</u>	<u>(244,003)</u>
Total capital assets being depreciated, net	<u>975,316</u>	<u>(18,105)</u>	<u>-</u>	<u>957,211</u>
Governmental activities capital assets, net	<u>\$ 1,100,316</u>	<u>\$ (18,105)</u>	<u>\$ -</u>	<u>\$ 1,082,211</u>

Depreciation expense was charged to the general government function of the Township.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

General Fund payables were comprised of accounts payable at March 31, 2007.

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - JOINT VENTURES:

The Township, together with the Townships of Assyria and Bellevue, and the Village of Bellevue, has established the Bellevue Community Fire Control Board. The member units have equal representation on the Fire Control Board, and all provide annual subsidies to the Board. Convis Township contributed \$22,094 to the Fire Control Board for the fiscal year ended March 31, 2007.

The Township has also jointed nine other units of government in Calhoun County in establishing the Marshall Area Fire Fighters Ambulance Authority. The member units have equal representation on the Authority Board, and provide annual subsidies to the Board. The Township did not contribute to the Ambulance Authority for the fiscal year ended March 31, 2007.

The Township has joined several other units of government in Calhoun, St. Joseph and Kalamazoo Counties in an inter-local agreement under the Michigan Urban Cooperation Act of 1967 to establish South Central Michigan Construction Code Inspection, Inc. for purposes of providing for the joint enforcement and administration of construction codes and other governmental ordinances. The Township is represented on the board of the Corporation. No contributions were made by the Township to the Corporation during the year ended March 31, 2007.

The Township does not expect to receive residual equity from the above joint ventures.

NOTE 9 - CONCENTRATION OF REVENUE:

For the year ended March 31, 2007, the Township received \$282,828 in landfill impact fees from one commercial vendor. This amount represents 54 percent of the total revenues recorded in the Township's funds.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Convis
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Licenses and permits	\$ 325,600	\$ 325,600	283,771	\$ (41,829)
State grants	81,500	81,500	116,497	34,997
Charges for services	3,000	3,000	3,188	188
Interest and rentals	12,500	12,500	64,015	51,515
Other	2,850	2,850	10,474	7,624
	<u>425,450</u>	<u>425,450</u>	<u>477,945</u>	<u>52,495</u>
Total revenues				
EXPENDITURES				
Legislative	<u>4,000</u>	<u>6,000</u>	<u>3,860</u>	<u>2,140</u>
General government:				
Supervisor	23,000	23,000	18,100	4,900
Elections	23,000	23,000	4,595	18,405
Assessor	16,250	16,250	13,116	3,134
Clerk	32,000	32,000	27,135	4,865
Board of review	3,000	3,000	1,700	1,300
Treasurer	32,500	32,500	26,983	5,517
Hall and grounds	121,300	121,300	45,050	76,250
Cemetery	16,900	16,900	14,462	2,438
Insurance	30,000	30,000	22,205	7,795
Legal and audit	47,500	47,500	13,433	34,067
Payroll taxes	10,000	10,000	4,527	5,473
Printing and publishing	15,000	15,000	7,752	7,248
Education and training	10,000	10,000	4,838	5,162
Other	29,000	29,000	17,621	11,379
	<u>409,450</u>	<u>409,450</u>	<u>221,517</u>	<u>187,933</u>
Total general government				
Public safety:				
Police protection	76,000	76,000	69,348	6,652
Fire control	92,000	92,000	22,094	69,906
EMS equipment	5,000	5,000	-	5,000
Ambulance service	10,000	10,000	-	10,000
	<u>183,000</u>	<u>183,000</u>	<u>91,442</u>	<u>91,558</u>
Total public safety				

Township of Convis
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Public works:				
Pollution control	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Drains	5,000	5,000	4,350	650
Road maintenance	<u>150,000</u>	<u>150,000</u>	<u>31,901</u>	<u>118,099</u>
Total public works	<u>160,000</u>	<u>160,000</u>	<u>36,251</u>	<u>123,749</u>
Community and economic development - planning and zoning	<u>24,000</u>	<u>24,000</u>	<u>2,980</u>	<u>21,020</u>
Recreation and culture - library	<u>15,000</u>	<u>25,000</u>	<u>11,000</u>	<u>14,000</u>
Capital outlay	<u>513,000</u>	<u>501,000</u>	<u>4,836</u>	<u>496,164</u>
Total expenditures	<u>1,308,450</u>	<u>1,308,450</u>	<u>371,886</u>	<u>936,564</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(883,000)	(883,000)	106,059	989,059
OTHER FINANCING USES				
Transfer to Emergency Services Fund	<u>(200,000)</u>	<u>(200,000)</u>	<u>(100,000)</u>	<u>100,000</u>
NET CHANGES IN FUND BALANCES	(1,083,000)	(1,083,000)	6,059	1,089,059
FUND BALANCES - BEGINNING	<u>1,423,244</u>	<u>1,423,244</u>	<u>1,423,244</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 340,244</u>	<u>\$ 340,244</u>	<u>\$ 1,429,303</u>	<u>\$ 1,089,059</u>

Township of Convis**BUDGETARY COMPARISON SCHEDULE - *Emergency Services Fund****Year ended March 31, 2007*

	<u><i>Original budget</i></u>	<u><i>Amended budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES				
Interest	\$ 6,500	\$ 6,500	\$ 17,144	\$ 10,644
OTHER FINANCING SOURCES				
Transfer from General Fund	<u>200,000</u>	<u>200,000</u>	<u>100,000</u>	<u>(100,000)</u>
NET CHANGES IN FUND BALANCES	206,500	206,500	117,144	(89,356)
FUND BALANCES - BEGINNING	<u>528,890</u>	<u>528,890</u>	<u>528,890</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 735,390</u>	<u>\$ 735,390</u>	<u>\$ 646,034</u>	<u>\$ (89,356)</u>

Township of Convis**BUDGETARY COMPARISON SCHEDULE - Host Community Fund**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Permits	\$ 16,250	\$ 16,250	\$ 14,886	\$ (1,364)
Interest	<u>1,000</u>	<u>1,000</u>	<u>11,444</u>	<u>10,444</u>
Total revenues	17,250	17,250	26,330	9,080
FUND BALANCES - BEGINNING	<u>274,418</u>	<u>274,418</u>	<u>274,418</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 291,668</u>	<u>\$ 291,668</u>	<u>\$ 300,748</u>	<u>\$ 9,080</u>

**Members of the Township Board
Township of Convis, Michigan**

In planning and performing our audit of the financial statements of the Township of Convis as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Convis' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

The Township has determined that benefits derived from eliminating the above deficiency would not exceed, nor justify, the estimated costs which would be incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Convis and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

September 13, 2007